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3 *E-FILED 5/25/06*
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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

9 ALISON WHITE,

NO. C 06 00849 RS

10 Plaintiff,

**ORDER DENYING MOTION TO
REMAND**

11 v.

12 TERMINIX INTERNATIONAL, INC et al.,

13 Defendants.
14 _____ /

16 I. INTRODUCTION

17 Before the Court is plaintiff Alison White's motion to remand this action to Santa Cruz
18 Superior Court. Defendants are Terminix International Inc. ("Terminix Inc.") and Terminix
19 International Company, LP ("Terminix LP"). Upon initial consideration of White's motion, the
20 Court determined that the factual record was incomplete with respect to the citizenship of the
21 partners of defendant Terminix LP, preventing a determination as to whether complete diversity of
22 citizenship exists. The Court therefore ordered defendants (collectively "Terminix") to submit
23 additional evidence on the point, which they have now done. The additional evidence establishes
24 that none of the partners of Terminix LP are citizens of California.

25 White's motion is premised on the argument that Terminix's principal place of business is
26 California. White relies on information tending to show that Terminix may operate more retail
27 locations in California than in any other single state, and on the legal principle that it is Terminix's
28 burden to establish jurisdiction. Terminix has met that burden by showing that for diversity

1 purposes, it is a citizen of Delaware or Tennessee, but not California. Even if a plurality of
2 Terminix's retail locations are in California, its operations here constitute a small enough percentage
3 of its business activities that it cannot be said that California is its "principal place of business."

4 The Court finds this matter suitable for disposition without oral argument, pursuant to Local
5 Rule 7-1 (b). The motion for remand will be denied.

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7 II. DISCUSSION

8 Terminix removed this action to this court pursuant to 28 U.S.C. § 1441 (a), which confers
9 removal jurisdiction over actions as to which the federal courts have original jurisdiction. Under 28
10 U.S.C. § 1332(a), "the district courts shall have original jurisdiction of all civil actions where the
11 matter in controversy exceeds the sum or value of \$75,000, exclusive of interests and costs, and is
12 between (1) the citizens of different states"

13 There is no dispute here regarding the amount in controversy, but White contends that the
14 parties lack diversity because Terminix may be viewed as a citizen of California. Terminix, Inc. is a
15 corporation. Section 1332 (c), which expressly applies to determining the existence of diversity for
16 purposes of original jurisdiction and to removal jurisdiction under section 1441, provides that "a
17 corporation shall be deemed to be a citizen of any State by which it has been incorporated and of the
18 State where it has its principal place of business." 28 U.S.C. § 1332 (c)(1). Terminix, Inc. is a
19 Delaware corporation.

20 Terminix LP is a limited partnership. "For purposes of deciding whether a suit by or against
21 a limited partnership satisfies the requirement of complete diversity of citizenship . . . the citizenship
22 of all the limited partners, as well as of the general partner, counts." *Hart v. Terminex International*,
23 336 F.3d 541, 542 (7th Cir. 2003).¹ Furthermore, where a partnership has as one of its partners a
24 second partnership, "it is the citizenship of the partners of the second partnership that matters (and if
25 those partners are themselves partnerships, the inquiry must continue to their partners and so on.)"
26 *Id.* at 543.

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28 ¹ "Terminex" is the spelling used in the caption of the case as reported in the Federal Reporter. However, the body of the opinion uses the spelling "Terminix."

United States District Court

For the Northern District of California

1 Pursuant to Court's prior order, Terminix has now submitted evidence showing that tracing
2 through the layers of the partnerships behind Terminix LP ultimately leads only to corporations that
3 are all incorporated and headquartered outside California. There is also nothing to suggest there is
4 any reason to believe that any of those corporations should or could be deemed as having a
5 "principal place of business" in California separate and apart from the business operations of
6 Terminix at issue. Accordingly, despite the multiple corporate and partnership entities involved, the
7 jurisdictional question boils down to whether Terminix (collectively) can be said to have its
8 principal place of business in California.

9 The party asserting jurisdiction has the burden of proving all jurisdictional facts. *Industrial*
10 *Tectonics, Inc. v. Aero Alloy*, 912 F.2d 1090, 1092, (9th Cir. 1990). Relying on that principle,
11 White's motion offered certain information tending to show that Terminix likely operates more retail
12 locations in California than it operates in any other single state, but White did not attempt to set out
13 a full description of Terminix's operations.²

14 Federal courts generally use one of two tests for locating a corporation's principal
15 place of business. See 1 J. Moore, *Moore's Federal Practice* ¶ 0.77 [3] (2d ed. 1989).

16 Under the "nerve center test," developed in *Scot Typewriter Co. v. Underwood*
17 *Corp.*, 170 F.Supp. 862, 865 (S.D.N.Y.1959), a corporation's principal place of
18 business is where its executive and administrative functions are performed. Under
the "place of operations test," developed in *Inland Rubber Corp. v. Triple A Tire*
Service, Inc., 220 F.Supp. 490, 496 (S.D.N.Y.1963), the principal place of business is
the state which "contains a substantial predominance of corporate operations." See
Co-Efficient Energy Systems v. CSL Industries, 812 F.2d 556, 558 (9th Cir.1987)

20 *Industrial Tectonics*, 912 F.2d at 1092.³

21 Here, Terminix's "nerve center" undeniably is located in Tennessee. Teminix's executive,
22 financial, and sales offices are headquartered in Memphis and day-to-day control of the business is

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² Terminix objects to and moves to strike the exhibits to the declaration of David Beck
25 submitted in support of the motion. Even assuming the evidence offered by White is fully
admissible, however, it is insufficient to defeat the more detailed showing Terminix has made to
establish that California is not its principal place of business. The motion to strike is therefore moot.

27 ³ Some authorities use a third label, the "total activities" test. See, e.g., *J.A. Olson Co. v.*
Winona, 818 F.2d 401, 404 (5th Cir. 1987). That formulation, however, merely incorporates and
28 harmonizes the other two tests. *Id.* That approach is consistent with the analysis of the *Industrial*
Tectonics opinion, as discussed herein.

United States District Court

For the Northern District of California

1 exercised there. See Declaration of Stephen F. Carter ¶¶ 4-11, 15. *Industrial Tectonics*, however,
2 holds that the nerve center test is properly applied “only when no state contains a *substantial*
3 *predominance* of the corporation’s business activities.” 912 F. 2d 1094 (emphasis added). Relying
4 on that rule, White attempts to argue that the fact that Terminix apparently has more retail locations
5 in California than in any other single state is enough to justify a conclusion that the “substantial
6 predominance” of its business activities are here.

7 Even by White’s count, however, far less than a majority of Terminix’s retail locations are
8 located in California.⁴ There is also no dispute that Terminix operates in all but a handful of states
9 across the nation. Thus, the facts here are unlike the situation in *Industrial Tectonics*, where the
10 defendant’s operations were confined to two states, in one of which a clear majority of the
11 company’s operations took place, by any measure. 912 F.2d at 1093, 1094 (61% of sales, 69% of
12 operating income, 64% of receivables, 75% of inventories, 63% of equipment, and more than half
13 the employees all attributed to one state.)

14 It may be that “substantial predominance” would not always require that a *majority* of the
15 operations be found in one state. Under the facts here, though, where a nation-wide business merely
16 appears to have retail outlets in California in numbers reasonably consistent with California’s
17 position as a large and populous state, it would be inconsistent with the reasoning of the *Industrial*
18 *Tectonics* court and common sense to conclude that the “substantial predominance” of the business
19 is here.

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26 ⁴ Based on dubious methodology, White calculates that 40.8% of Terminix’s retail locations
27 are in California; Terminix puts the real number at 49 out of “approximately 400.” Even assuming
28 White’s percentage is correct, though, that is not enough to bring this case within the rationale of
Industrial Tectonics.

1 III. CONCLUSION
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4 The motion to remand is DENIED.
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7 IT IS SO ORDERED.
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10 Dated: May 25,2006
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13 RICHARD SEEBORG
14 United States Magistrate Judge
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1 **THIS IS TO CERTIFY THAT NOTICE OF THIS ORDER HAS BEEN GIVEN TO:**

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5

6 Counsel are responsible for distributing copies of this document to co-counsel who have not
7 registered for e-filing under the Court's CM/ECF program.

8 **Dated: May 25, 2006**

Chambers of Judge Richard Seeborg

9 By: _____ /s/ **BAK**

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